

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2707-01
Bill No.: SB 881
Subject: Insurance - Medical; Mental Health; Health Care; Health Care Professionals
Type: Original
Date: January 6, 2004

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| | | | |
| Total Estimated Net Effect on General Revenue Fund | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|---|----------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Insurance Dedicated | \$8,000 | \$0 | \$0 |
| | | | |
| Total Estimated Net Effect on <u>All</u> State Funds | \$8,000 | \$0 | \$0 |

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|-------------------------------------|------------|------------|------------|
| FUND AFFECTED | FY 2005 | FY 2006 | FY 2007 |
| Local Government | \$0 | \$0 | \$0 |

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Economic Development - Division of Professional Registration** and **Missouri Department of Conservation** assume the proposal will have no fiscal impact on their organizations.

Officials from the **Department of Health and Senior Services (DOH)** state the proposal would not be expected to fiscally impact the operations of the DOH. If a fiscal impact were to result, funds to support the program would be sought through the appropriations process.

Officials from the **Department of Mental Health (DMH)** state to the extent that DMH consumers have insurance coverage, there could be minimal savings to the Department. However, it is likely that any savings would be offset by increased service utilization of individuals who are currently underserved. At this time, the DMH is unsure of the number of consumers that would be affected by this proposal, the type of coverage involved and/or the amount of insurance coverage. Based on the current understanding that any savings would be offset by additional service utilization costs, the resulting fiscal impact to the DMH would be zero.

Officials from the **Department of Public Safety - Missouri State Highway Patrol** defer to the Missouri Department of Transportation for response regarding the fiscal impact of the proposal on their organization.

ASSUMPTION (continued)

Officials from the **Missouri Department of Transportation (DOT)** state because the Medical Plan currently provides coverage for mental health conditions on the same basis as physical health conditions, including limited coverage for alcohol and drug abuse treatment, there would be no fiscal impact to the Highway and Patrol Medical Plan.

Changes in section 376.811 are not applicable to the Highway and Patrol Medical Plan because the Medical Plan is not an insurance company or a health services corporation. Section 104.801, RSMo 2000, would not require similar coverage because section 376.811 is not applicable to self-insured plans or to HMOs. As a result, the proposal will have no fiscal impact on the Missouri Highway and Transportation Commission (MHTC) or the Highway and Patrol Medical Plan.

Officials from the **Department of Social Services - Division of Medical Services (DMS)** assume the proposal will have no fiscal impact on their organization. The DMS currently covers mental health conditions as medically necessary. It is assumed this proposal allows for the continued use of prior authorization of services and performing utilization reviews by DMS for both physical and mental health conditions to ensure payment for only medically necessary conditions. Only those medically necessary are eligible for federal match. The DMS assumes this proposal is not intended to require coverage for non-medically necessary services which would be paid 100% from General Revenue.

Officials from the **Missouri Consolidated Health Care Plan (HCP)** states this proposal requires every insurance company and health services corporation to offer in all health insurance policies, benefits or coverage for chemical dependency following minimum standards not to exceed more than twenty-six days per policy benefit period. Coverage for residential treatment would include not less than twenty-one days per policy period and coverage for medical or social setting detoxification of not less than six days per policy period. The coverages shall be subject to the same coinsurance, co-payment and deductible factors as apply to physical illness.

The proposal also mandates the coverage for mental health conditions at the same level as any health condition.

Currently, the HCP Public Entity PPO plan applies some limitations to its benefits. The PPO plan offers a maximum of 90 days per year for mental health, a maximum of twenty-one combined days per year for alcohol and chemical dependency and detoxification at a maximum six days per year with a lifetime maximum of \$50,000. Therefore, this may result in the acquisition of additional risk and could produce a minimal premium increase.

ASSUMPTION (continued)

Oversight assumes minimal premium increases could be absorbed and have reflected no cost for fiscal note purposes.

Officials from the **Department of Insurance (INS)** state the INS estimates 160 insurers and HMOs would be required to submit amendments to their policies to comply with the legislation. Policy amendments must be submitted to the INS for review along with a \$50 filing fee. One-time additional revenues to the Insurance Dedicated Fund are estimated to be \$8,000.

Additional staff and expenses are not being requested with this single proposal, but if multiple proposals pass during the legislative session which require policy form reviews, the INS will need to request additional staff to handle the increase in workload.

This proposal will result in an increase in Total State Revenue.

| <u>FISCAL IMPACT - State Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
|---|-------------------------|-------------------|-------------------|
| INSURANCE DEDICATED FUND | | | |
| <u>Income - Department of Insurance</u> | | | |
| Form filing fees | \$8,000 | \$0 | \$0 |
| ESTIMATED NET EFFECT TO INSURANCE DEDICATED FUND | <u>\$8,000</u> | <u>\$0</u> | <u>\$0</u> |
| <u>FISCAL IMPACT - Local Government</u> | FY 2005 (10 Mo.) | FY 2006 | FY 2007 |
| | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> |

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent they may incur additional health insurance costs due to the requirements of this proposal.

DESCRIPTION

This proposal requires health carriers that offer health benefit plans in this state on or after January 1, 2005, to provide coverage for mental health conditions. Mental health conditions are defined as those listed in the most recent edition of the Diagnostic and Statistical Manual of Mental Disorders. Coverage for mental health conditions cannot have rates, terms, or conditions that place a greater financial burden on an insured for mental health condition than for physical health condition. This mandated benefit shall not apply to supplemental insurance policies, life care contracts, accident-only policies, specified disease policies or other specific policies.

The proposal also modifies some of the standards for chemical dependency coverage and repeals several sections relating to mental illness and addictive disorders. The sections repealed include current exceptions to the requirement that health insurers who cover services for mental illness and addictive disorders provide the same coverage as they do for physical illness. These provisions include exceptions that allow insurers to limit inpatient hospital treatment for mental illness to 90 days per year (Section 376.811.2), place annual and lifetime limits on alcohol and drug abuse treatment services (Section 376.827), and exclude or apply different limits to certain specified services (Section 376.833).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development -
 Division of Professional Registration
Department of Mental Health
Department of Health and Senior Services
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Department of Insurance
Missouri Department of Conservation



Mickey Wilson, CPA
Director
January 6, 2004